

Decision No. 31330

BEFORE THE RAILROAD COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application of
A. R. Reader and Phil Reader, d.b.a.
Reader Transportation Service, for
authority to charge less than minimum
rates established by Decision No.
30600, as amended.

ORIGINAL

Application No. 22086

Arthur H. Glanz and T. A. L. Loretz, by
T. A. L. Loretz, for Applicant.

A. R. Reader, for Applicant.

BY THE COMMISSION:

O P I N I O N

By this application Reader Transportation Service, a co-partnership operating as a radial highway common carrier, highway contract carrier and city carrier, seeks authority under Section 10 of the City Carriers' Act and Section 11 of the Highway Carriers' Act to transport paper, paper articles and related commodities between points within the Los Angeles drayage area as described in Decision No. 30785 of April 11, 1938, in Case No. 4121, at lesser charges than those accruing under minimum rates established in and by said decision, as amended.

The matter was submitted at a public hearing had before Examiner Bryant at Los Angeles.

The commodities to be transported at less than the minimum rates, the rates to be charged and the shippers to be served are shown in Appendix "A" hereto. The commodity list includes paper, paper articles and various miscellaneous items which regularly or frequently move in mixed shipments therewith; the shipper list includes all, or substantially all, of the principal manufacturers and

jobbers of such commodities in the Los Angeles area. The suggested weight brackets for which rates are stated are identical with those adopted by the Commission under Decision No. 30785, supra. Only two zones are provided, instead of the eight zones employed in the decision. The suggested inner zone includes all of the shippers' plants and warehouses as well as applicant's garage and office headquarters; the outer zone embraces the balance of the area here involved. The proposed rates vary from 6½ to 18 cents per 100 pounds, depending upon the weight of the shipment and the destination zone.¹

Applicant alleges that the established minimum rates are excessive for the transportation which it performs, in that they are higher than the traffic will bear. It asserts that approximately forty per cent of its traffic has been lost to proprietary trucks since May 1, 1938, on which date the minimum rates became effective; that a number of the larger shippers have purchased or leased vehicles and now give applicant only their overflow tonnage; and that smaller shippers, for whom individual proprietary operation would be impracticable, have effectively diverted their shipments to privately owned vehicles by adopting the policy of selling their products F.O.B. their own plants or warehouses, rather than delivered to the purchaser's door, thus encouraging purchasers to perform the local transportation in their own trucks. Applicant avers that other shippers have indicated an intention to resort to proprietary operations unless lower rates are obtained, and that several have deferred purchasing equipment only because of the pendency of the instant application.

¹ Under Decision No. 30785, supra, as amended, the class rates vary from 6 cents to 44 cents per 100 pounds, according to the weight of the shipment, the classification ratings, and the zones involved. Special commodity rates, applicable to the commodities here involved, vary from 11 cents to 35 cents per 100 pounds, according to the weight of the shipment and the zones.

Applicant further alleges that it specializes in the transportation of paper, paper articles and related commodities; that by reason of this specialization it has developed a volume of movement and a steadiness of tonnage which have made it possible to hold costs at a minimum; and that, therefore, rates lower than those prescribed by the Commission should be permitted. It asserts that the rates which it proposes to charge are sufficient in volume to return a reasonable profit over and above the cost of transportation.

A. R. Reader, managing partner of Reader Transportation Service, introduced an analysis and cost study of actual operations of his company for the month of April, 1938, excluding all commodities and territories not directly involved in this proceeding.² The study prorates all items of expense, including overhead, as between the several vehicles involved in the operation, and develops a total average cost of $11\frac{1}{2}$ cents per 100 pounds. The average gross revenue for the same period, under rates somewhat different from those now proposed, is shown to have been 12.6 cents per 100 pounds, thus returning a net profit in excess of one cent per 100 pounds. Reader stated that he had tested the sought rates by re-rating all of the April shipments to the proposed basis and had found as a result of this comparison that the rates proposed would actually return 5 per cent more revenue than those assessed in April, or an average of approximately 13.2 cents per 100 pounds. He considered this small increase above the rates charged prior to the establishment of minimum rates to be necessary to offset slightly increased costs. He testified that although his shippers considered the established

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The month of April was said to have been selected because it was the latest month immediately preceding establishment of the minimum rates from which relief is sought. The witness explained that this month was not a particularly favorable one, but that, on the contrary, the tonnage handled was subnormal due to generally unsettled business conditions prevailing at that time.

minimum rates excessive, all of those whom he had contacted had thought the proposed rates fair and reasonable.³

In addition to Reader, four witnesses, representing five of the larger shippers involved, testified in support of the application.⁴ Three of these witnesses stated that applicant had served them satisfactorily prior to the establishment of minimum rates on May 1, 1938. Of these three, one had adopted the policy of selling F.O.B. its plant and of calling upon applicant only when a customer could not pick up an order; another had leased equipment and was using applicant's services only for occasional overflow traffic; the third was still using applicant's services exclusively, but had studied proprietary costs and definitely concluded to purchase and operate trucking equipment unless a rate reduction was obtained promptly. The fourth witness testified that, based upon his experience in the proprietary operation of twenty pieces of trucking equipment, he believed Reader's estimated costs to be representative, adequate and sufficient for the service involved.

No one opposed the granting of this application.

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Reader testified at several hearings in Case No. 4121, under which the present minimum rates were established. At hearings had subsequent to the issuance of the initial order (Decision No. 30600 of February 7, 1938), he stated that the rates therein prescribed were acceptable for small shipments but unduly low for shipments of 10,000 pounds or more. At hearings which followed the issuance of Decision No. 30785, supra, of April 11, 1938, (by which the number of zones were increased and the rate scales revised) he offered testimony similar to that introduced in the instant proceeding; i.e., that the rates were unduly high and had caused the loss of approximately 40 per cent of his business. Upon the basis of evidence received at these latter hearings, the Commission established special rates (see footnote 1 hereof) applicable only to the commodities here involved. In the instant proceeding Reader testified that, due largely to the multiple zone system, these commodity rates had not afforded the desired relief.

⁴ They were P. H. Owen, local manager of Kieckhefer Container Corporation; F. H. Bostock, traffic manager of Crown Willamette Paper Co., and also representing Zellerbach Paper Company; F. Staib, traffic manager of Blake, Moffit & Towne; and B. F. Bolling, traffic manager of Pioneer Flintkote Company.

According to the evidence, applicant has already seen a substantial portion of its tonnage diverted to proprietary trucks, and the record is convincing that unless the relief sought is granted, much of the remaining traffic will be lost. Applicant's cost figures indicate that under the specialized operation here involved the sought rates will be compensatory. Upon consideration of all of the facts and circumstances of record, therefore, the Commission is of the opinion and finds that the proposed rates are reasonable. The application will be granted.

The findings herein are based upon existing conditions and the authority will therefore be made effective for a temporary period expiring one year from the effective date hereof, unless sooner changed, cancelled or extended.

O R D E R

This matter having been duly heard and submitted,

IT IS HEREBY ORDERED that A. R. Reader and Phil Reader, doing business as Reader Transportation Service, be and they are hereby authorized to assess and collect, for the transportation for which rates are provided in Appendix "A" attached hereto and by this reference made a part hereof, rates less than minimum rates heretofore established by the Commission, but not less than those provided in said appendix.

IT IS HEREBY FURTHER ORDERED that the authority herein granted shall expire one (1) year from the effective date of this order unless sooner changed, cancelled or extended by appropriate order of the Commission.

This order shall become effective five (5) days from the date hereof.

Dated at Los Angeles, California, this 30 day of October, 1938.

Raymond A. Smith
Leon G. Smith
Frank R. Smith
Ray L. Smith

APPENDIX "A"

ITEM NO. 10 - APPLICATION OF RATES

Rates provided in this appendix apply only for the transportation of commodities listed in Item No. 20, for shippers listed in Item No. 30, between points within the zones described in Item No. 40.

ITEM NO. 20 - COMMODITIES

Paper, viz.:

Boxboard
Blotting
Carbon
Containers, viz.:
 Corrugated
 Fibre
Cardboard
Chipboard
Converting Paper
Corrugated Sheets
Cover
Crepe
Gummed
Napkin Paper
Newsprint
Poster
Printing
Shelf
Toilet
Towelings
Waxed
Wrapping
Writing

Paper Articles, viz.:

Arch Files
Bags
Blank Books
Bottles
Boxes, fibreboard,
 pulpboard or
 strawboard
Cans
Cans, ice cream
Cards
Covers, toilet seat
Cups

Paper Articles, viz.: (Continued)

Dishes
Doilies
Envelopes
Files, letter
File Boxes, viz.:
 cardboard
Folding and upright
 boxes
Folders
Indexes, Index cards
 and filers
Lids
Lunch sets
Napkins
Nestrites
Pails
Papetries
Paper, corrugated
Paper Expanding Files
Partition, Partition
 Parts, liners and
 pads, corrugated
 or fibre
Photomailers
Plates
Receipt books
Reinforcements
Seals
Spoons, paper
Statements
Straws, or sippers
Table covers
Tablets
Tags
Tissue, facial
Tubing
Tubs

Other Commodities, viz.: (See Note)

Binders, Looseleaf
 Book Supports or Book
 ends, metal
 Brushes
 Candle Holders
 Candles
 Cellulose Articles, viz.:
 Cartons
 Cases
 Packages
 Tubes
 Chair Cushions
 Chalk, writing
 Chamois, imitation
 Chop Frills & Holders
 Coasters
 Compasses, drawing
 Cordage
 Cutters, paper
 Crayons
 Desk Trays, wire
 Desk Trays, wood, set up
 Dust Cloths
 Dispensers, viz.:
 Cup
 Sanitary napkin
 Soap
 Tape
 Toilet seat cover
 Toilet tissue
 Towel
 Erasers
 File Boxes, viz.:
 wood, wood and metal
 combined
 Filing Cabinets
 steel or wood
 Finger pads, rubber
 Fountain pens, in-
 cluding desk sets
 Games, card
 Handkerchiefs
 Inkwells
 Machines, numbering
 Machines, punching
 Machines, stapling
 Mimeograph supplies
 Mat and showcard board
 Matches
 Mucilage

Other Commodities, viz.: (Con-
 tinued)

Pads, calendar
 Padding Adhesives
 Padding Cement
 Padding Compounds
 Paper Clips
 Paste
 Pencil leads
 Pencils
 Penholders
 Pen Tickets
 Pen points
 Pins
 Ribbons
 Roofing Materials, viz.:
 Asphalt
 Compounds
 Paper, roofing
 Shingles
 Tile
 Tile, imitation
 Rope
 Rulers
 Scales, postage
 School Art Materials, viz.:
 Paints, water colors
 Scissors
 Sharpeners, pencil
 Sink Strainers
 Soap
 Stamps, rubber
 including date stamps
 Stands, calendar
 Staples
 Supplies, Janitor
 Tape, gummed, paper or
 cloth, mending, sealing
 Thumb Tacks
 Trees, Xmas, glo-light
 or artificial
 Twine
 Wallboard
 Waste baskets, fibre,
 wood or wire
 Window Display Material
 Woodenware, viz.:
 Spoons, Forks,
 Sticks, Toothpicks
 World Globes
 Writing Ink
 Wax Remover

Note: Commodities listed under the heading "Other Commodities, viz.:" may be transported at rates named herein, provided the movement of such commodities is incidental to the movement of paper and paper articles, and provided further that the weight of such commodities, on an average over each calendar month, does not exceed 15 per cent of the weight of paper and paper articles transported for the same shipper.

ITEM NO. 30 - SHIPPERS

A. C. Abbott Company; Angelus Paper and Envelope Company; A. U. Morse Company; Badger Paper Company; Blake, Moffit & Towne; Brown Paper Goods Company; Cann & Company; Carpenter Paper Company; Comfort Paper Company; Crown Willamette Paper Co.; Crystal Paper Service; Fibre-board Products, Inc.; Gaylord Container Company; General Paper Company; General Woodenware Corporation; Hawley Pulp and Paper Company; Independent Paper Stock Company; Ingram Paper Company; Johnson, Carvell & Murphy; Kelly Paper Company; Kieckhefer Container Company; La Salle Paper Company; Los Angeles Carton Company; Los Angeles Paper Bag Company; Menasha Paper Products; National Paper Products Company; Paper Specialties Company; Pioneer Flintkote Company; Sales Service Company; Sherman Paper Products; Silikin Paper Goods Company; Taverner & Fricke; Towelsaver, Inc.; Union Bag and Paper Corporation; Union Paper and Supply Company; U. S. Paper Company; Western Wax Paper Company; Zellerbach Paper Company.

ITEM NO. 40 - ZONES

ZONE 1

Commencing at the intersection of Atlantic Avenue and Florence Avenue; west on Florence Avenue to Vermont Avenue; north on Vermont Avenue to Fountain Avenue; east on Fountain Avenue to Hyperion Street; northeast on Hyperion Street to Rowena Street; southeast on Rowena Street to Fletcher Drive; northeast on Fletcher Drive to Casitas Avenue; northwest on Casitas Avenue to Rosslyn Street; northeast on Rosslyn Street to the Union Pacific right of way; southeast on the Union Pacific right of way to Isabel Street; southeasterly on Isabel Street to Griffin Avenue; south on Griffin Avenue to North Broadway; east on North Broadway to Mission Road, southwest on Mission Road to Valley Boulevard; east on Valley Boulevard to Marianna Avenue; south on Marianna Avenue to Eastern Avenue; south on Eastern Avenue to Whittier Boulevard; east on Whittier Boulevard to Atlantic Avenue; thence south on Atlantic Avenue to point of commencement.

ZONE 2

Commencing at the intersection of Atlantic and Whittier Boulevards; east on Whittier Boulevard to San Gabriel Boulevard; southeast on San Gabriel Boulevard to Anaheim-Telegraph Road; northwest on Anaheim-Telegraph Road to Paramount Boulevard; southwest on Paramount Boulevard to Stuart and Gray Road; westerly on Stuart and Gray Road to Atlantic Boulevard; south on Atlantic Boulevard to Century Boulevard; west on Century Boulevard to Alameda Street; south on Alameda Street to 107th Place; thence along the City of Los Angeles boundary line to 120th Street; westerly on 120th Street to Vermont Avenue; northerly on Vermont Avenue to Manchester Avenue; westerly on Manchester Avenue to Western Avenue; north on Western Avenue to Florence Avenue; west on Florence Avenue to Crenshaw Boulevard; north on Crenshaw Boulevard to Olympic Boulevard; west on Olympic Boulevard to Robertson Boulevard; north on Robertson Boulevard to Melrose Avenue; west on Melrose Avenue to the boundary line of the City of Beverly Hills to the Coldwater Canyon Road,

ZONE 2 (Continued)

along to the Mulholland Highway to Barnham Boulevard; north on Barnham Boulevard to the north Los Angeles city boundary to Rosslyn Street; northwest on Rosslyn Street to the Los Angeles city boundary to Marianna Avenue; to the intersection of Marianna Avenue and Eastern Avenue; along the southerly boundary of Zone 1 to Whittier Boulevard; thence east on Whittier Boulevard to point of commencement.

ITEM NO. 50 - RATES (In cents per 100 pounds)

<u>Minimum Weight</u>	<u>Intrazone</u>	<u>Interzone</u>
100 pounds	15	17
500 pounds	13	15
2,000 pounds	10	12
4,000 pounds	09	10
10,000 pounds	08	09
20,000 pounds	07	08
30,000 pounds	06½	07½
Minimum charge, in cents per shipment	40	50